

**Housing Authority of the
City of Bogalusa
Bogalusa, Louisiana**

**Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended September 30, 2004
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/8/05

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471**

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
 Bogalusa, Louisiana
 Basic Financial Statements
 As of and for the Fiscal Year Ended September 30, 2004
 With Supplemental Information Schedules

CONTENTS

| | Exhibit | Page |
|---|----------|------|
| Independent Auditor's Report | | 3 |
| Management's Discussion and Analysis | | 5 |
| Basic Financial Statements: | | |
| Statement of Net Assets | A | 13 |
| Statement of Revenues, Expenses and Changes in Net Assets | B | 14 |
| Statement of Cash Flows | C | 15 |
| Notes to the Financial Statements | | 16 |
| | Schedule | Page |
| Financial Data Schedule | 1 | 23 |
| Schedule of Expenditures of Federal Awards | 2 | 28 |
| Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> | | 29 |
| Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 | | 31 |
| Schedule of Compensation Paid Board Members | 3 | 33 |
| Schedule of Prior Audit Findings | 4 | 34 |
| Schedule of Current Year Findings and Questioned Costs | 5 | 35 |
| Corrective Action Plan for Current Year Audit Findings | 6 | 38 |

William Daniel McCaskill, CPA

A Professional Accounting Corporation

5150 Highway 22, Suite C-14

Mandeville, Louisiana 70471

Telephone 985-845-7772
Fax 985-845-1313
e-mail danny@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Bogalusa
Bogalusa, Louisiana

I have audited the accompanying basic financial statements of the Housing Authority of the City of Bogalusa (the authority) as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.


In my opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the City of Bogalusa as of September 30, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures as of July 1, 2002*. This results in a change in the format and content of the basic financial statements. Additionally, the authority adopted the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units* an amendment of GASB Statement 14.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 9, 2005 on my consideration of the authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 5 through 12, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the authority's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is not a required part of the basic financial statements of the authority. The accompanying Financial Data Schedule, required by HUD, is presented for purposes of additional analysis, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and the Financial Data Schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 William Daniel
McCaskill, CPA,
APAC

Signature
valid

Digitally signed by
William Daniel
McCaskill, CPA,
APAC
DN: cn=William
Daniel McCaskill,
CPA, APAC, c=US
Date: 2005.03.31
12:35:51 -06'00'

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 9, 2005

HOUSING AUTHORITY OF BOGALUSA, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2004

Housing Authority of the City of Bogalusa, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

The management of the Housing Authority of Bogalusa, Louisiana presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending September 30, 2004. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$3,418,949 at the close of the fiscal year ended 2004.
 - ✓ Of this amount, \$656,410 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 35% of the total operating expenses for the fiscal year 2004, which means the Authority could operate about 4 months using the unrestricted assets alone.
 - ✓ The remainder of \$2,762,539 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
- The Housing Authority's total net assets decreased by \$24,279, a 1% change from the prior fiscal year 2003. This decrease is attributable to expenditures for capital assets beyond grants available from HUD capital funding, described in more detail below.
- The Authority spent \$282,814 on significant capital asset additions and \$142,256 on construction in progress.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis* of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Housing Authority of the City of Bogalusa, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

Fund Financial Statements

The Housing Authority accounts for all financial activity in a single enterprise fund. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's enterprise fund uses the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in a single enterprise fund. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant three programs, the Low Rent Housing Program, Housing Choice Voucher Program, and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Housing Authority of the City of Bogalusa, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$3,418,949 as of September 30, 2004. Of this amount, \$2,762,539 was invested in capital assets, tenant security deposits of \$43,300 was reflected as restricted assets, and the remaining \$613,110 was unrestricted. There are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
As of September 30, 2004**

ASSETS

| | |
|-------------------------------------|------------------|
| Current Assets | \$ 786,160 |
| Restricted Assets | 43,300 |
| Capital Assets, Net of Depreciation | <u>2,762,539</u> |
| Total Assets | <u>3,591,999</u> |

LIABILITIES

| | |
|--------------------------|----------------|
| Current Liabilities | 113,269 |
| Tenant Security Deposits | 43,300 |
| Non-Current Liabilities | <u>16,481</u> |
| Total Liabilities | <u>173,050</u> |

NET ASSETS

| | |
|----------------------------------|------------------|
| Invested in Capital Assets | 2,762,539 |
| Unrestricted | <u>656,410</u> |
| Total Net Assets | <u>3,418,949</u> |
| Total Liabilities and Net Assets | <u>3,591,999</u> |

Housing Authority of the City of Bogalusa, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$24,279, or by 1%, from those of fiscal year 2003, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2004**

| | |
|--|-------------------------|
| OPERATING REVENUES | |
| Federal Grants – Operating | \$ 1,072,724 |
| Rental Revenue | 313,402 |
| Other Tenant Revenue | <u>139,792</u> |
| Total Operating Revenues | <u>1,525,918</u> |
| OPERATING EXPENSES | |
| Ordinary maintenance and repairs | 390,335 |
| Administration | 379,442 |
| Housing Assistance Payments to Landlords | 378,404 |
| Depreciation | 305,944 |
| Utilities | 271,502 |
| General and Other | 132,792 |
| Tenant Services | <u>3,931</u> |
| Total Operating Expenses | <u>1,862,350</u> |
| (Loss) from Operations | <u>(336,432)</u> |
| NON-OPERATING REVENUES | |
| Federal Grants - Capital | 263,092 |
| Interest Income and Other Revenue | <u>49,061</u> |
| Total Non-Operating Revenues | <u>312,153</u> |
| NET (DECREASE) IN NET ASSETS | <u>(24,279)</u> |
| NET ASSETS, Beginning of Year | <u>3,443,228</u> |
| NET ASSETS, End of Year | <u><u>3,418,949</u></u> |

The decrease in net assets of these funds was accompanied by a decrease in unrestricted cash by \$202,579 from fiscal year 2003, primarily due to reductions in funding for operations from HUD.

Housing Authority of the City of Bogalusa, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

In future years, a comparative analysis of Authority-wide data with the prior year will be presented. (A comparative analysis for the current year is not required by accounting standards followed by the Authority.)

Compared with the prior fiscal year, total revenues decreased \$260,157, or by 12%, from a combination of larger offsetting factors. Reasons for this change are listed below in order of impact from greatest to least:

- A decrease of \$305,532 in funding from HUD for operations, minus an increase of \$39,322 in funding from HUD for capital projects, for an overall net decrease of 17% in funding from HUD from fiscal year 2003. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2002 and 2003, and submitted a new grant during fiscal year 2004.
- Other income increased by \$24,160, or by 137% from fiscal year 2003, due to proceeds received from insurance claims during the current year from a casualty loss incurred in the prior fiscal year.
- Rental revenues decreased by \$19,007, or by 4%, due to a decrease in occupancy by 2%.
- Interest income increased by \$900, or by 14% from fiscal year 2003, due to an increase in investable cash during certain times of the current fiscal year.

Compared with the prior fiscal year, total expenses increased \$1,586, or by only 0.1%, but this also was made up of significantly larger offsetting factors. Again, reasons for this change are listed below in order of impact from greatest to least:

- Ordinary maintenance and repairs increased by \$75,651, or by 24%, and extraordinary repairs decreased by \$49,720, or by 100%, for a total increase in repairs of \$25,931 from the prior year, due to painting units, stair replacement, and other repairs.
- Administrative expense decreased by \$40,414, or by 10% from the prior year, due to a combination of offsetting factors. Administrative salaries and related benefits increased by 6% from approved raises. On the other hand, other administrative expenses such as travel, staff training, accounting, auditing, and legal expenses decreased by 24% due to cost conservation measures.
- Depreciation Expense increased by \$35,519, or by 13% from the prior year, due to the addition during 2004 of \$282,814 in new capital assets and completion of \$144,334 in construction in progress.
- Housing Assistance Payments to the landlord increased by \$21,461, or by 6% from the prior year, due to an increase in the number of tenants qualifying for assistance.
- Utilities cost decreased by \$17,444, or by 6% from the prior year, due to a mixture of causes. Water rates were increased by over 54%, as the Authority is billed a flat fee regardless of amount consumed. Electricity cost decreased by 21% because consumption decreased by 28%, but rates increased by 10%. Gas cost increased by 11%, because consumption decreased by 10% and rates increased by 1%. Finally, garbage and sewer fees increased by 62%.

Housing Authority of the City of Bogalusa, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

- General Expense decreased by \$3,962, or by 3% from the prior year, due to several offsetting factors. General insurance expense decreased by \$13,719, or by 13%, due to a decrease in workmen's compensation insurance. On the other hand, uncollectible rents from vacated units increased by \$7,104, or by 45%, and other general expenses increased by \$2,653.
- Casualty losses decreased by \$19,830, or by 100% from the prior year, because there was a casualty loss in the prior fiscal year but not in the current year.

These changes led to an increase in total assets by \$13,584 and an increase in liabilities by \$37,700, but a decrease in cash by \$202,579. However, despite these changes, capital assets excluding depreciation actually increased by \$425,070, and there are still over \$5 of current assets covering each dollar of liability.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2004, the Housing Authority had \$14,501,775 invested in a broad range of assets and construction in progress from projects funded in 2003, listed below. This amount, not including depreciation, represents increases of \$425,070 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets,
Net of Accumulated Depreciation
As of September 30, 2004**

| | |
|--------------------------|------------------|
| Land | \$ 259,721 |
| Buildings | 2,163,953 |
| Furniture and Equipment | 132,125 |
| Leasehold Improvements | 52,940 |
| Construction in Progress | <u>153,800</u> |
| Total | <u>2,762,539</u> |

As of the end of the 2004 fiscal year, the Authority is still in the process of completing HUD grants of \$991,517 obtained during 2002 through 2003 fiscal years. A total remainder of \$792,324 will be received and spent for completing these projects during fiscal year 2005.

Additional major capital projects of \$576,462 were approved for the 2005 fiscal year from a HUD grant submitted during fiscal year 2004.

Debt

Long-term debt includes accrued annual vacation due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for 2005 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Randy Smith, Executive Director, at the Housing Authority of Bogalusa, Louisiana; P. O. Box 1113; Bogalusa, LA 70429-1113.

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
 Bogalusa, Louisiana
Statement of Net Assets
 As of September 30, 2004

Exhibit A

ASSETS

Current assets

| | |
|--------------------------------|---------------|
| Cash and cash equivalents | \$ 567,880 |
| Receivables: | |
| Intergovernmental | 108,304 |
| Tenant rents, net of allowance | 15,627 |
| Accrued interest receivable | 1,120 |
| Prepaid insurance | 48,732 |
| Inventory, net of allowance | <u>44,498</u> |

Total current assets 786,161

Restricted assets

| | |
|---------------------------|---------------|
| Cash and cash equivalents | <u>43,300</u> |
|---------------------------|---------------|

Noncurrent assets

Capital assets:

Nondepreciable capital assets:

| | |
|-------------------------------------|----------------|
| Land | 259,721 |
| Construction in progress | <u>153,801</u> |
| Total nondepreciable capital assets | <u>413,522</u> |

Depreciable capital assets:

| | |
|---|---------------------|
| Buildings and improvements | 13,615,873 |
| Furniture and equipment | 472,380 |
| Less accumulated depreciation | <u>(11,739,236)</u> |
| Total depreciable capital assets, net of accumulated depreciation | <u>2,349,017</u> |

Total capital assets, net of accumulated depreciation 2,762,539

Total assets 3,592,000

LIABILITIES

Current Liabilities

| | |
|------------------------------|--------------|
| Accounts payable | \$ 81,172 |
| Payable to other governments | 17,561 |
| Accrued wages payable | 2,579 |
| Accrued compensated absences | 8,154 |
| HUD liability | 1,362 |
| Deferred revenue | <u>2,441</u> |

Total current liabilities 113,269

Liabilities Payable from Restricted Assets

| | |
|----------------------------|---------------|
| Security deposit liability | <u>43,300</u> |
|----------------------------|---------------|

Noncurrent liabilities

| | |
|------------------------------|---------------|
| Accrued compensated absences | <u>16,481</u> |
|------------------------------|---------------|

Total liabilities 173,050

NET ASSETS

| | |
|---|----------------|
| Invested in capital assets, net of related debt | 2,762,539 |
| Unrestricted | <u>656,411</u> |

Total net assets \$ 3,418,950

The accompanying notes are an integral part of these financial statements.

Exhibit B

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
Bogalusa, Louisiana
Statement of Revenues, Expenses, and Changes In Net Assets
For Fiscal Year Ended September 30, 2004

Operating Revenues

| | |
|--|----------------|
| Annual contributions - Housing Assistance Payments | \$ 378,404 |
| HUD administrative fee | 43,279 |
| Public housing operating subsidy | 570,458 |
| Operating grants | 80,584 |
| Dwelling rental | 313,402 |
| Tenant revenue - other | <u>139,792</u> |

Total operating revenues 1,525,919

Operating Expenses

| | |
|-------------------------------|----------------|
| Housing Assistance Payments | 378,404 |
| General and administrative | 512,235 |
| Repairs and maintenance | 390,335 |
| Utilities | 271,503 |
| Tenant services | 3,931 |
| Depreciation and amortization | <u>305,944</u> |

Total operating expenses 1,862,352

Operating loss (336,433)

Nonoperating Revenues:

| | |
|------------------------|---------------|
| Capital grants | 263,093 |
| Interest revenue | 7,296 |
| Miscellaneous revenues | <u>41,766</u> |

Total nonoperating revenues 312,155

Change in net assets (24,278)

Net assets, beginning of year, as restated 3,443,228

Net assets, end of year \$ 3,418,950

The accompanying notes are an integral part of these financial statements.

Exhibit C

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
Bogalusa, Louisiana
Statement of Changes in Cash Flows
Fiscal Year Ended September 30, 2004

| | |
|---|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from tenants | 290,764 |
| Other cash receipts | 138,812 |
| Cash provided by non-capital Federal grants | 1,058,005 |
| Cash payments to suppliers for goods and services | (726,159) |
| Cash payments to employees for services | (385,978) |
| Cash payments to landlords for housing assistance | (378,404) |
| Net cash (used) by operating activities | <u>(2,960)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Cash provided by other sources of income | <u>41,767</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Cash provided by Federal capital grants | 175,919 |
| Proceeds from sale or retirement of capital assets | 18,434 |
| Acquisition of capital assets and expenditures for construction | (443,503) |
| Net cash (used) by capital and related financing activities | <u>(249,151)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Net cash provided by interest received on investments | <u>6,948</u> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (203,395) |
| CASH AND CASH EQUIVALENTS, Beginning of Fiscal Year | 771,275 |
| CASH AND CASH EQUIVALENTS, End of Fiscal Year | <u><u>567,880</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Loss from operations | (336,433) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 305,944 |
| Provision for uncollectible tenant accounts | 26,313 |
| Changes in assets and liabilities: | |
| Increase in accounts and interest receivable | (41,174) |
| Increase in prepaid expenses and inventories | (9,212) |
| Decrease in accounts payable | 50,842 |
| Decrease in accrued salaries and benefits | (1,682) |
| Decrease in other liabilities | 2,441 |
| Total adjustments | <u>333,473</u> |
| Net cash (used) by operating activities | <u><u>(2,960)</u></u> |

There were no noncash investing, capital, or financing activities.
The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF BOGALUSA

Bogalusa, Louisiana

Notes to the Financial Statements

For Fiscal Year Ended September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Reporting Entity

The Housing Authority of The City of Bogalusa (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of the City of Bogalusa, Louisiana. This formation was contingent upon the approval of the city.

The authority is governed by a Board of Commissioners (Board), which is composed of five members appointed by the city and serve five-year staggered terms. The Board of the authority exercises all powers granted to the authority.

The Board has the final responsibility for:

1. Approving budgets.
2. Exercising control over facilities and properties.
3. Controlling the use of funds generated by the authority
4. Approving the hiring and firing of key personnel
5. Financing improvements.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The authority is financially accountable for a component unit if it appoints a voting majority of the organization's board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, or impose specific financial burdens on the authority. The authority presently has no component units included within its reporting entity.

The authority is a related organization of the City of Bogalusa, Louisiana since the city appoints a voting majority of the authority's governing board. The city is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the city. Accordingly, the authority is not a component unit of the financial reporting entity of the city.

(2) Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the activities of the authority.

(3) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements by the provider have been met.

The accompanying financial statements include the activities of several housing programs subsidized by HUD. A summary of each significant program is provided below.

Low Income Housing Program

The purpose of the low income housing program is to provide decent and affordable housing to low income families at reduced rents. The developments are owned, maintained and managed by the authority. The developments are acquired, developed and modernized under HUD's capital funds programs. Funding of the program operations is provided via federal annual contribution contracts (operating subsidies) and tenant rents (determined as a percentage of family income, adjusted for family composition).

Housing Assistance Programs

The housing assistance payment program utilizes existing privately owned family rental housing units to provide decent and affordable housing to low income families. Funding of the program is provided by federal annual housing assistance contributions from HUD, which provide for the difference between the approved landlord contract rent and the rent paid by the tenant.

The government-wide financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The authority maintains its accounts in accordance with the chart of accounts prescribed by the U.S. Department of Housing and Urban Development (HUD). For financial reporting purposes, the authority reports all of its operations in a single enterprise fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed, to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The authority also has the *option* of following subsequent private-sector guidance, subject to the same limitations. The authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority's enterprise fund are HUD Operating Subsidies, Section 8 Housing Assistance Subsidies, Section 8 Management Fees and tenant dwelling rents. Operating expenses include Section 8 Housing Assistance Payments, General and

Housing Authority of the City of Bogalusa
Bogalusa, Louisiana
Notes to the Financial Statements – 2004, continued

Administrative expenses, repairs and maintenance expenses, utility expenses, tenant services, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(4) New Accounting Standards Adopted

During the year ended September 30, 2004, the Authority adopted four new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.
- Statement No. 39, *Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of The City of Bogalusa. This new reporting model requires management to provide a narrative and analysis to the ordinary user called Management's Discussion and Analysis (MD&A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

(5) Assets, liabilities, and net assets

(a) Deposits and Investments

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. HUD regulations, state law and the authority's investment policy allow the housing authority to invest in collateralized certificates of deposit and securities backed by the federal government. Investments for the authority are reported at fair value.

(b) Inventory and prepaid items

All inventories are valued on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Housing Authority of the City of Bogalusa
Bogalusa, Louisiana
Notes to the Financial Statements – 2004, continued

(c) Restricted Assets

Cash equal to the amount of tenant security deposits is reflected as restricted.

(d) Capital assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the authority as assets with an initial, individual cost of more than \$200 (amount not rounded). Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

| | |
|--------------------------------|-----------|
| Buildings | 33 years |
| Modernization and improvements | 15 years |
| Furniture and equipment | 3-7 years |

(e) Due from/to other governments or agencies

Amounts due from/to the authority to/by other governments or agencies are generally for HUD grants or programs under which the services have been provided by the authority. The authority also records an amount due to the various taxing districts within the region for payments in lieu of taxes.

(f) Allowance for doubtful accounts

The authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At September 30, 2004, the management of the authority established an allowance for doubtful accounts of approximately \$27,985.

(g) Compensated absences

It is the authority's policy to permit employees to accumulate earned but unused vacation. In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation pay is accrued when incurred and reported as a liability.

Employees may accumulate an unlimited number of annual leave hours. Employees may accumulate an unlimited number of annual leave hours. Depending on their length of service, employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

Housing Authority of the City of Bogalusa
 Bogalusa, Louisiana
 Notes to the Financial Statements – 2004, continued

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the government-wide financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

See Note A for discussion of policies related to cash and cash equivalents. At September 30, 2004, the authority has cash and cash equivalents (book balances) totaling \$611,180 as follows:

| | |
|----------------------------------|------------------|
| Interest-bearing demand deposits | \$217,590 |
| Time deposits | 393,540 |
| Other | 50 |
| Total | <u>\$611,180</u> |
| Unrestricted | \$567,880 |
| Restricted | 43,300 |
| Total cash and cash equivalents | <u>\$611,180</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2004, the authority has \$668,038 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

| | |
|-----------------|------------------|
| GASB Category 1 | \$200,000 |
| GASB Category 2 | - |
| GASB Category 3 | 468,038 |
| | <u>\$668,038</u> |

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the authority that the fiscal agent has failed to pay deposited funds upon demand.

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004 was as follows:

Housing Authority of the City of Bogalusa
 Bogalusa, Louisiana
 Notes to the Financial Statements – 2004, continued

| | Beginning Balance | Additions | Deletions | Adjustment | Ending Balance |
|---------------------------------------|----------------------|------------------|-----------------|------------|---------------------|
| Nondepreciable Assets: | | | | | |
| Land | \$ 237,721 | \$ 22,000 | - | - | \$ 259,721 |
| Construction in Progress | 298,135 | 142,256 | - | (286,590) | 153,801 |
| Depreciable Assets: | | | | | |
| Building and improvements | 13,109,490 | 219,793 | - | 286,590 | 13,615,873 |
| Furniture and equipment | 445,375 | 41,020 | 14,015 | - | 472,380 |
| Total | <u>\$14,090,721</u> | <u>\$425,069</u> | <u>\$14,015</u> | <u>-</u> | <u>\$14,501,775</u> |
| Less Accumulated Depreciation: | | | | | |
| Building and improvements | 11,140,226 | 258,755 | - | - | 11,398,981 |
| Furniture and equipment | 306,648 | 47,188 | 13,581 | - | 340,255 |
| Total accumulated depreciation | <u>11,446,874</u> | <u>305,943</u> | <u>13,581</u> | <u>-</u> | <u>11,739,236</u> |
| Net Capital Assets | <u>\$2,643,847</u> | <u>\$119,126</u> | <u>\$434</u> | <u>-</u> | <u>\$2,762,539</u> |

NOTE D - CONSTRUCTION COMMITMENTS

The authority has active construction projects as of September 30, 2004. At year end, the commitments with contractors are as follows:

| Projects | Expended to Date | Remaining Commitment |
|--------------|---------------------|-------------------------|
| CFP 2002 | \$183,844 | \$301,956 |
| CFP 2003 | 15,349 | 386,322 |
| CFP 2003 (2) | - | 104,046 |
| CFP 2004 | - | 576,462 |
| Total | <u>\$199,193</u> | <u>\$1,368,786</u> |

NOTE E - PRIOR PERIOD ADJUSTMENTS AND CORRECTIONS OF ERRORS

The Housing Choice Voucher Program recorded an immaterial prior period adjustment in the amount of \$162.

NOTE F - RETIREMENT PLAN

The authority participates in the Louisiana Housing Council Group Retirement Plan, administered by Broussard, Bush and Hurst, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities which are members of the Louisiana Housing Council. Through this plan, the authority provides pension benefits for all of its full-time employees. All full-time employees who have attained age 18 are eligible to participate in the plan on the first day of the month after completing three months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to five percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute five percent of their annual covered salary.

The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday. Early retirement may be elected on the first day of any month within 10 years of the employee's normal retirement date, provided the employee has completed five years of service with the authority. With the authority's consent, employees may defer retirement to the first day of any month beyond normal retirement date.

The authority's total payroll for the year ended September 30, 2004, was \$276,840. The authority's contributions were calculated using the base salary amount of \$236,860. The authority made the required contributions of \$23,686 for the year ended September 30, 2004.

NOTE G - RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The authority's risk management program encompasses obtaining property and liability insurance.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE H - FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

Housing Authority of the City of Bogalusa
Financial Data Schedule
Fiscal Year Ended September 30, 2004

Schedule 1

PHA: LA024 FYED: 09/30/2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Capital Fund Program | Total |
|---------------------|--|----------------------------|-------------------------------|----------------------------|----------------|
| 111 | Cash - Unrestricted | \$299,399 | \$268,481 | \$0 | \$567,880 |
| 114 | Cash - Tenant Security Deposits | \$43,300 | \$0 | \$0 | \$43,300 |
| 100 | Total Cash | \$342,699 | \$268,481 | \$0 | \$611,180 |
| 122 | Accounts Receivable - HUD Other Projects | \$0 | \$1,948 | \$106,356 | \$108,304 |
| 126 | Accounts Receivable - Tenants - Dwelling Rents | \$43,612 | \$0 | \$0 | \$43,612 |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Rents | (\$27,985) | \$0 | \$0 | (\$27,985) |
| 126.2 | Allowance for Doubtful Accounts - Other | \$0 | \$0 | \$0 | \$0 |
| 129 | Accrued Interest Receivable | \$905 | \$215 | \$0 | \$1,120 |
| 120 | Total Receivables, net of allowances for doubtful accounts | \$16,532 | \$2,163 | \$106,356 | \$125,051 |
| 142 | Prepaid Expenses and Other Assets | \$48,158 | \$574 | \$0 | \$48,732 |
| 143 | Inventories | \$44,498 | \$0 | \$0 | \$44,498 |
| 143.1 | Allowance for Obsolete Inventories | \$0 | \$0 | \$0 | \$0 |
| 144 | Interprogram Due From | \$295,891 | \$0 | \$0 | \$295,891 |
| 150 | Total Current Assets | \$747,778 | \$271,218 | \$106,356 | \$1,125,352 |
| 161 | Land | \$237,721 | \$0 | \$22,000 | \$259,721 |
| 162 | Buildings | \$12,483,085 | \$0 | \$344,407 | \$12,827,492 |
| 163 | Furniture, Equipment & Machinery - Dwellings | \$218,437 | \$0 | \$101,505 | \$319,942 |
| 164 | Furniture, Equipment & Machinery - Administration | \$125,154 | \$2,284 | \$25,000 | \$152,438 |
| 165 | Leasehold Improvements | \$788,381 | \$0 | \$0 | \$788,381 |
| 166 | Accumulated Depreciation | (\$11,671,572) | (\$2,284) | (\$65,380) | (\$11,739,236) |
| 167 | Construction In Progress | \$0 | \$0 | \$153,801 | \$153,801 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | \$2,181,206 | \$0 | \$581,333 | \$2,762,539 |
| 180 | Total Non-Current Assets | \$2,181,206 | \$0 | \$581,333 | \$2,762,539 |
| 190 | Total Assets | \$2,928,984 | \$271,218 | \$687,689 | \$3,887,891 |

Housing Authority of the City of Bogalusa
Financial Data Schedule
Fiscal Year Ended September 30, 2004

Schedule 1

PHA: LA024 FYED: 09/30/2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Capital Fund Program | Total |
|---------------|---|-------------------------|-------------------------|----------------------|-------------|
| 312 | Accounts Payable <= 90 Days | \$81,172 | \$0 | \$0 | \$81,172 |
| 321 | Accrued Wage/Payroll Taxes Payable | \$2,579 | \$0 | \$0 | \$2,579 |
| 322 | Accrued Compensated Absences - Current Portion | \$7,420 | \$734 | \$0 | \$8,154 |
| 331 | Accounts Payable - HUD PHA Programs | \$0 | \$1,362 | \$0 | \$1,362 |
| 333 | Accounts Payable - Other Government | \$17,561 | \$0 | \$0 | \$17,561 |
| 341 | Tenant Security Deposits | \$43,300 | \$0 | \$0 | \$43,300 |
| 342 | Deferred Revenues | \$2,441 | \$0 | \$0 | \$2,441 |
| 347 | Interprogram Due To | \$0 | \$189,535 | \$106,356 | \$295,891 |
| 310 | Total Current Liabilities | \$154,473 | \$191,631 | \$106,356 | \$452,460 |
| 354 | Accrued Compensated Absences - Non Current | \$14,558 | \$1,923 | \$0 | \$16,481 |
| 350 | Total Noncurrent Liabilities | \$14,558 | \$1,923 | \$0 | \$16,481 |
| 300 | Total Liabilities | \$169,031 | \$193,554 | \$106,356 | \$468,941 |
| 508 | Total Contributed Capital | \$0 | \$0 | \$0 | \$0 |
| 508.1 | Invested in Capital Assets, Net of Related Debt | \$2,181,206 | \$0 | \$581,333 | \$2,762,539 |
| 511 | Total Reserved Fund Balance | \$0 | \$0 | \$0 | \$0 |
| 511.1 | Restricted Net Assets | \$0 | \$0 | \$0 | \$0 |
| 512.1 | Unrestricted Net Assets | \$578,747 | \$77,664 | \$0 | \$656,411 |
| 513 | Total Equity/Net Assets | \$2,759,953 | \$77,664 | \$581,333 | \$3,418,950 |
| 600 | Total Liabilities and Equity/Net Assets | \$2,928,984 | \$271,218 | \$687,689 | \$3,887,891 |

Housing Authority of the City of Bogalusa
Financial Data Schedule
Fiscal Year Ended September 30, 2004

Schedule 1

PHA: LA024 FYED: 09/30/2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Capital Fund Program | Total |
|---------------------|-----------------------------------|-------------------------------|-------------------------------|----------------------------|-------------|
| 703 | Net Tenant Rental Revenue | \$313,402 | \$0 | \$0 | \$313,402 |
| 704 | Tenant Revenue - Other | \$139,792 | \$0 | \$0 | \$139,792 |
| 705 | Total Tenant Revenue | \$453,194 | \$0 | \$0 | \$453,194 |
| 706 | HUD PHA Operating Grants | \$570,458 | \$421,683 | \$80,584 | \$1,072,725 |
| 706.1 | Capital Grants | \$0 | \$0 | \$263,093 | \$263,093 |
| 711 | Investment Income - Unrestricted | \$4,942 | \$2,354 | \$0 | \$7,296 |
| 715 | Other Revenue | \$41,766 | \$0 | \$0 | \$41,766 |
| 716 | Gain/Loss on Sale of Fixed Assets | (\$434) | \$0 | \$0 | (\$434) |
| 700 | Total Revenue | \$1,069,926 | \$424,037 | \$343,677 | \$1,837,640 |

Housing Authority of the City of Bogalusa
Financial Data Schedule
Fiscal Year Ended September 30, 2004

Schedule 1

PHA: LA024 FYED: 09/30/2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Capital Fund Program | Total |
|---------------|--|-------------------------|-------------------------|----------------------|-------------|
| 911 | Administrative Salaries | \$123,153 | \$19,273 | \$0 | \$142,426 |
| 912 | Auditing Fees | \$4,748 | \$478 | \$0 | \$5,226 |
| 914 | Compensated Absences | \$1,213 | \$186 | \$0 | \$1,399 |
| 915 | Employee Benefit Contributions - Administrative | \$57,953 | \$8,694 | \$0 | \$66,647 |
| 916 | Other Operating - Administrative | \$78,073 | \$5,088 | \$80,584 | \$163,745 |
| 924 | Tenant Services - Other | \$3,931 | \$0 | \$0 | \$3,931 |
| 931 | Water | \$51,549 | \$0 | \$0 | \$51,549 |
| 932 | Electricity | \$184,784 | \$0 | \$0 | \$184,784 |
| 933 | Gas | \$2,370 | \$0 | \$0 | \$2,370 |
| 938 | Other Utilities Expense | \$32,800 | \$0 | \$0 | \$32,800 |
| 941 | Ordinary Maintenance and Operations - Labor | \$118,202 | \$0 | \$0 | \$118,202 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | \$96,217 | \$0 | \$0 | \$96,217 |
| 943 | Ordinary Maintenance and Operations - Contract Costs | \$120,294 | \$0 | \$0 | \$120,294 |
| 945 | Employee Benefit Contributions - Ordinary Maintenance | \$55,622 | \$0 | \$0 | \$55,622 |
| 961 | Insurance Premiums | \$85,898 | \$3,072 | \$0 | \$88,970 |
| 962 | Other General Expenses | \$2,785 | \$0 | \$0 | \$2,785 |
| 963 | Payments in Lieu of Taxes | \$17,561 | \$0 | \$0 | \$17,561 |
| 964 | Bad Debt - Tenant Rents | \$23,042 | \$0 | \$0 | \$23,042 |
| 969 | Total Operating Expenses | \$1,060,195 | \$36,791 | \$80,584 | \$1,177,570 |
| 970 | Excess Operating Revenue over Operating Expenses | \$9,731 | \$387,246 | \$263,093 | \$660,070 |
| 973 | Housing Assistance Payments | \$0 | \$378,404 | \$0 | \$378,404 |
| 974 | Depreciation Expense | \$263,483 | \$0 | \$42,461 | \$305,944 |
| 900 | Total Expenses | \$1,323,678 | \$415,195 | \$123,045 | \$1,861,918 |
| 1010 | Total Other Financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | (\$253,752) | \$8,842 | \$220,632 | (\$24,278) |

Housing Authority of the City of Bogalusa
Financial Data Schedule
Fiscal Year Ended September 30, 2004

Schedule 1

PHA: LA024 FYED: 09/30/2004

| Line Item No. | Account Description | Low Rent Public Housing | Housing Choice Vouchers | Capital Fund Program | Total |
|---------------|--|-------------------------|-------------------------|----------------------|-------------|
| 1102 | Debt Principal Payments - Enterprise Funds | \$0 | \$0 | \$0 | \$0 |
| 1103 | Beginning Equity | \$2,467,918 | \$68,660 | \$906,488 | \$3,443,066 |
| 1104 | Prior Period Adjustments, Equity Transfers and Correction of Errors | \$545,787 | \$162 | (\$545,787) | \$162 |
| 1113 | Maximum Annual Contributions Commitment (Per ACC) | \$0 | \$457,852 | \$0 | \$457,852 |
| 1114 | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | \$0 | \$0 | \$0 | \$0 |
| 1115 | Contingency Reserve, ACC Program Reserve | \$0 | \$55,797 | \$0 | \$55,797 |
| 1116 | Total Annual Contributions Available | \$0 | \$513,649 | \$0 | \$513,649 |
| 1120 | Unit Months Available | 4,070 | 1,176 | 0 | 5,246 |
| 1121 | Number of Unit Months Leased | 3,670 | 1,105 | 0 | 4,775 |

Schedule 2

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
 Bogalusa, Louisiana
 Schedule of Expenditures of Federal Awards
 For Fiscal Year Ended September 30, 2004

| <i>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</i> | <i>CFDA #</i> | <i>Federal Expenditures</i> |
|---|-------------------|---------------------------------|
| U.S. Department of Housing and Urban Development: | | |
| Direct Programs: | | |
| Low Rent Public Housing | 14.850a | 570,458 |
| Housing Choice Voucher Program | 14.871 | 421,683 |
| Public Housing Capital Fund Program | 14.872 | 343,677 |
| Total Federal Expenditures | | <u><u>\$ 1,335,818</u></u> |

Note A - General

The Schedule of Expenditures of Federal Awards Programs included herein represents all of the Federal grant awards of the Authority over which it exercised direct operating control for the year ended September 30, 2004.

Note B - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards Programs is presented using the accrual basis of accounting and includes expenses incurred by the Authority during its fiscal year October 1, 2003 to September 30, 2004.

Note C - Scope of audit pursuant to OMB CIRCULAR A-133

All Federal grant operations of the Authority are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March 2004, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below.

William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-7772
Fax 985-845-1313
e-mail danny@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Housing Authority of the City of Bogalusa
Bogalusa, Louisiana

I have audited the financial statements of the Housing Authority of the City of Bogalusa (the authority), as of and for the year ended September 30, 2004 and have issued my report thereon dated February 9, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting


In planning and performing my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Housing Authority of the City of Bogalusa
Bogalusa, Louisiana
Report on Internal Control... *Government*
Auditing Standards, 2004
Page Two

This report is intended solely for the information and use of the board of commissioners and management, others within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

 **William Daniel
McCaskill, CPA, APAC**
Signature
valid

Digitally signed by
William Daniel
McCaskill, CPA, APAC
DN: cn=William
Daniel McCaskill,
CPA, APAC, c=US
Date: 2005.03.31
12:36:34 -0600

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 9, 2005

William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-7772
Fax 985-845-1313
e-mail danny@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Bogalusa
Bogalusa, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the City of Bogalusa (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. The authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the authority's management. My responsibility is to express an opinion on the authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the authority's compliance with those requirements.

As described in item 2004-1 in the accompanying schedule of findings and questioned costs, the authority did not comply with requirements regarding eligibility, reporting, and special tests and provisions that are applicable to its Low Rent Public Housing and Housing Choice Voucher Programs. Compliance with such requirements is necessary, in my opinion, for the authority to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.


Internal Control Over Compliance

The management of the authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the *authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.*

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 2004-1 to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

 **William Daniel
McCaskill, CPA,
APAC**
Signature
valid

Digitally signed by
William Daniel
McCaskill, CPA,
APAC
DN: cn=William
Daniel McCaskill,
CPA, APAC, c=US
Date: 2005.03.31
12:36:58 -06'00'

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 9, 2005

Schedule 3

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
Bogalusa, Louisiana
Schedule of Compensation Paid to Board Members
Fiscal Year Ended September 30, 2004

Board members serve without compensation.

Schedule 4

HOUSING AUTHORITY OF THE CITY OF BOGALUSA

Bogalusa, Louisiana

Schedule of Prior Year Audit Findings

Fiscal Year Ended September 30, 2004

Finding 2003-1 - The housing authority failed to comply with the procurement policy.

The housing authority subsequently properly procured and/or is now in the process of properly procuring the contracts identified in this finding.

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
Bogalusa, Louisiana
Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2004

Summary Schedule of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the authority.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*
3. No instances of noncompliance material to the financial statements of the authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One reportable condition disclosed during the audit of internal control over major federal award programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133. The condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the authority expresses a qualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
 - 14.850 Low Rent Public Housing
 - 14.871 Housing Choice Vouchers
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The authority did not qualify as a low-risk auditee.

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
 Bogalusa, Louisiana
 Schedule of Current Audit Findings and Questioned Costs (continued)
 Fiscal Year Ended September 30, 2004

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT**Finding 2004-1****Programs**

Low Rent Public Housing (CFDA 14.850a)

Housing Choice Vouchers (CFDA 14.871)

Condition

Testing of 15 Low Rent Public Housing tenant files resulted in the following deficiencies:

| Number of Occurrences | Condition |
|-----------------------|--|
| 1 | Inadequate 3 rd party income verification |
| 2 | Annual recertification was not performed on a timely basis |
| 1 | Social security number(s) not listed on Form 50058 |

Testing of 14 Housing Choice Voucher tenant files resulted in the following deficiencies:

| Number of Occurrences | Condition |
|-----------------------|--|
| 6 | Inadequate 3 rd party income verification |
| 6 | Annual recertification was not performed on a timely basis |
| 11 | Reasonable rent determination was not documented |
| 6 | Utility allowance was not updated and/or documented |
| 2 | HQS inspection was not performed on a timely basis |
| 3 | HQS deficiencies were not corrected and/or reported |
| 1 | Social security number(s) not listed on Form 50058 |

Testing of the SEMAP report revealed that the housing authority failed to comply with federal regulations related to SEMAP performance reporting as follows:

| Indicator | Condition |
|------------------------------------|---|
| 1b Selection from Waiting List | Quality control samples are not adequately documented |
| 2b Reasonable Rent | Quality control samples are not adequately documented |
| 3 Determination of Adjusted Income | Quality control samples are not adequately documented |
| 4 Utility Allowance Schedule | An up-to-date utility schedule was not maintained |
| 5 HQS Quality Control | Inspections were not documented and/or performed |
| 6 HQS Quality Enforcement | Quality control samples are not adequately documented |

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
Bogalusa, Louisiana
Schedule of Current Audit Findings and Questioned Costs (continued)
Fiscal Year Ended September 30, 2004

Criteria

The housing authority must comply with federal regulations related to eligibility, special tests, and reporting, as well as its own Admissions and Continuing Occupancy Policy.

Cause

The housing authority may not be adequately staffed and/or the current staff may not be adequately trained.

Effect

The housing authority did not comply with federal regulations related to eligibility, special tests, and reporting, as well as its own Admissions and Continuing Occupancy Policy.

PHA Response

See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF BOGALUSA
Bogalusa, Louisiana
Corrective Action Plan for Current Year Findings
For Fiscal Year Ended September 30, 2004

FINDINGS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Finding 2004-1

Recommendation

The housing authority should review federal regulations for eligibility, special tests, and reporting with the staff, and ensure that the staff is properly trained.

Action Planned

The housing authority has already (prior to our audit) reviewed and revised the utility schedule and implemented a new utility policy effective October 1, 2004. The housing authority will review federal regulations with the appropriate staff members and ensure that the staff is adequately trained.

Person Responsible

Randy Smith, Executive Director

Anticipated Completion Date

May 31, 2005